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June 6, 1997

William I. Jacobs
Executive Vice President
MasterCard International
2000 Purchase Street
Purchase, NY 10577-2509

Dear Bill:

Thanks for the note. I look forward to working with you on this matter.

Sincerely,

Joel

Joel I. Klein

JIK/jhb

cc: Kevin J. Arquit, Esq.
Noah J. Hanft, Esq.

William I Jacobs
Executive Vice President

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MasterCard
International

May 30, 1997

Joel I. Klein, Esq.
Acting Assistant Attorney General
U.S. Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, DC 20530

Dear Joel:

Thanks for spending the time with us to discuss the Department of Justice's continuing investigation. We appreciate the openness of your comments.

I thought you would be interested in seeing how American Express and Discover are doing and how much "injury" we are supposedly inflicting on them. Most of this has been submitted to your staff, but it may not have reached your desk.

Cordially,

Bill

WIJ/tt

cc: Kevin J. Arquit, Esq.
Noah J. Hanft, Esq.

The Wall Street Journal Interactive Edition -- April 25, 1997

American Express Reports First-Quarter Profit Gain

By STEPHEN E. FRANK
Staff Reporter of THE WALL STREET JOURNAL

NEW YORK -- **American Express** Co., helped by surprising strength in its charge-card business, said first-quarter earnings increased 15% from a year earlier, slightly exceeding analysts' expectations.

The company posted profit of $454 million, or 94 cents a share, up from $396 million, or 80 cents a share, in the first quarter of 1996. The results were also helped by American Express's money-management business, and by improved credit quality.

"These are the best results I've seen all quarter from any financial-services company," said Tom Facciola, an analyst at Lehman Brothers. "I don't follow a single company that's shown an improvement in credit-quality this quarter."

Wall Street responded enthusiastically to the results, which were released late in the trading day Thursday. **American Express** closed at $63.125, up $1.875, or 3.1%, in New York Stock Exchange composite trading.

The results may represent the start of a **turnaround** in American Express's credit-card business, which has steadily been losing market share for the better part of a decade. According to the Nilson Report, a credit-card industry research firm based in Oxnard, Calif., **American Express** actually increased its share of the credit-card market versus Visa and MasterCard in 1996, thanks to the popularity of its Membership Rewards program for frequent users of its cards, and to its increasing use of co-branded cards, such as the Delta SkyMiles credit-card, issued in cooperation with Delta Air Lines. Purchase volume on **American Express** cards increased 15.6% in 1996, according to the Nilson Report, compared with an increase of 15.5% for Visa and just 9.6% for MasterCard.

"You're seeing people use the **American Express** card more and more, and that is what is ultimately going to drive revenue growth," said Susan Roth, an analyst at Donaldson, Lufkin and Jenrette Securities Corp. "**American Express** has gone from being on the defensive to being well-positioned to take market-share" from other credit-card issuers.

The number of **American Express** credit and charge-cards in use grew 8.3% during the quarter, to 41.9 million. Receivables on revolving credit cards grew 26%, to $12.9 billion, while average charge volume on its nonrevolving charge card increased 5%. At the same time, the write-off rate on credit-card receivables slipped one-tenth of a percentage point to 5.1%, well below the average of about 6.3% for the nation's largest credit-card issuers.

The improved credit and charge-card results **boosted** performance at American Express's travel-related services division, where profit increased 10% to $315 million.

Still, revenue growth remained a concern. For the quarter, net revenue grew 6.5%, to $4.2 billion, below the company's long-term goal of increasing revenue by 8% to 10% on average. Even so, **American Express** has been struggling to increase revenue for some time, and analysts said the picture this quarter was a bit better than they expected. Overall, American Express's return on equity was 23%, above the company's long-term return-on-equity target of 18% to 20%.

At **American Express** Financial Advisers, the company's fast-growing money-management operation, profit increased 21%, to $157 million, on higher mutual-fund and insurance sales. But sales of annuities fell 25%, to $870 million. The number of financial advisers -- an important indicator of future growth -- increased nearly 6%, to more than 8,400, while assets under management increased 12%, to $149.7 billion.

At **American Express** Bank, the company's

11TH STORY of Level 1 printed in FULL format.

CREDIT CARD NEWS

May 01, 1997

LENGTH: 370 words

HEADLINE: Dean Witter Shrugs Off a Jump in Chargeoffs to Post a Record Profit

BODY:

Despite a 60% increase in the provision for loan losses, first-quarter earnings at Riverwoods, Ill.-based Dean Witter, Discover & Co.'s Credit Services unit increased 17.6% to a record $ 146.2 million from $ 124.3 million a year earlier. Net operating revenues rose to $ 735.3 million, up 4.9% from $ 701 million in 1996.

Credit Services includes the Discover card, the Prime Option MasterCard, the Private Issue card, the Bravo card, and processor SPS Transaction Services Inc., of which Dean Witter owns about 74%.

Managed receivables grew 13.5% to $ 35.2 billion in the first quarter from $ 31 billion a year earlier. Dean Witter doesn't release charge volume data on a quarterly basis.

Riskier Cardholders

Dean Witter's bottom line continued to benefit from last year's increase in prices for riskier cardholders, said Philip J. Purcell, Dean Witter's chairman and chief executive, in a written statement. Dean Witter increased its provision for loan losses to $ 606.2 million, up 60% from $ 379 million in the year-earlier period.

Merchant and cardholder fees increased 40.2% to $ 515.2 million from $ 367.5 million in 1996's first quarter. Dean Witter in February of 1996 instituted a $ 15 overlimit fee and raised late fees to $ 20 from $ 15 in response to rising chargeoffs.

Net interest income for the quarter totaled $ 821.8 million, up 16.7% from $ 704.4 million a year earlier, due to loan growth and improved spread on consumer loans, Dean Witter says. The first-quarter chargeoff rate stood at 6.9% of receivables, up from 4.7% a year earlier.

During the first quarter, Dean Witter's Novus Network added 100,000 new merchant locations. Over the last 12 months, Novus has added nearly 450,000 new merchants to the network.

General-purpose credit card accounts totaled 39.2 million, up 6.8% from 36.7 million.

Wednesday January 22 8:26 AM EDT

Dean Witter Discover reports earnings per share up 33% in fourth quarter

NEW YORK--(BUSINESS WIRE)--Jan. 22, 1997--

Record Earnings of $951 million for 1996

Dean Witter, Discover & Co. today reported fourth quarter earnings per share of $0.68 on a fully diluted basis, up 33 percent from last year's $0.51. Earnings per share reflect the Company's recent 2 for 1 stock split. Net income rose to $227.8 million for the fourth quarter, a 28 percent increase over the 1995 fourth quarter of $178.1 million. Net operating revenues for the quarter were a record $1.6 billion, 13 percent above the $1.4 billion in last year's fourth quarter.

Securities earnings of $126.0 million were 9 percent over last year's fourth quarter $115.8 million and 6 percent over this year's third quarter $119.0 million. Credit Services earnings climbed 63 percent to $101.8 million from $62.3 million in the fourth quarter a year ago.

For the full year, the Company reported fully-diluted earnings per share of $2.77, up 14 percent from $2.44 in 1995. Net income was a record $951.4 million, an 11 percent increase over last year's $856.4 million. Net operating revenues were $6.2 billion, a 10 percent advance over $5.7 billion in 1995. Return on equity was 19.0 percent.

"We are very pleased with our fourth quarter and full-year results," said Philip J. Purcell, Chairman and Chief Executive Officer. "Securities earnings continued to grow strongly even from the high levels we've already achieved. We continued to achieve rapid growth in assets under management and in our account executive sales force. In Credit Services, our fourth quarter results were exceptionally strong given the industry-wide trend of higher credit card write-offs. The pricing actions that we've taken during the year helped to partially offset the costs from higher write-offs. We expect the impact from the pricing actions to continue into 1997."

FULL YEAR RESULTS

Securities return on equity for 1996 was 42.1 percent. Earnings were a record $501.9 million in 1996, 23 percent above 1995. Net operating revenues of $3.4 billion were 10 percent above the previous year, and the profit margin grew to a record 14.9 percent.

Assets under management and administration were up $10.5 billion for the year to $90.0 billion. For the fourth consecutive year, the number of account executives increased by 500 or more and totaled 9,080 at year end. Securities opened 616,000 new client accounts, a record high and 13 percent above the number of accounts opened last year. Total client assets rose by $29.9 billion to close the year at $251.2 billion.

Credit Services earnings were $449.5 million, slightly ahead of 1995's record $446.9 million. Managed loans rose by $4.8 billion, or 15 percent, to $36.6 billion. Net operating revenues increased 9 percent to an all-time high of $2.9 billion.

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William I Jacobs
914 249-5200

MasterCard International

DOJ 3/31/97

Rules put in place

- Issuer which owns or is in governance only issues that card
- If an issuer wants to issue both cards may not be an owner or in governance
- Would be a limit to how big Visa could become
- Would want us to drop policy

essentially a merger

Goals in order of priority

1. Maintain duality
2. need to list conditions on policy
3. governance - eliminate committee, then board, without credit
   - multi year approach

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Highly Confidential

MasterCard
International

Department of Justice Meeting

Presentation to Joel Klein

June 1, 1998

Duality: It Doesn't Get Any More Competitive Than This.

Issuers Perspectives

"In my . . . service on both the MasterCard Global and US Boards, I never observed a single instance where innovation, product differentiation and/or brand promotion was hindered by a Board member based on his or her concern for, or interest in, Visa."

Paul Garcia
Formerly US & Global Board Member
and President of First Financial Bank

* * *

"Without duality, the ability of issuers to compete one association against the other would be significantly diminished, and so too would the benefits to consumers and issuers that arise from such head-to-head systems competition."

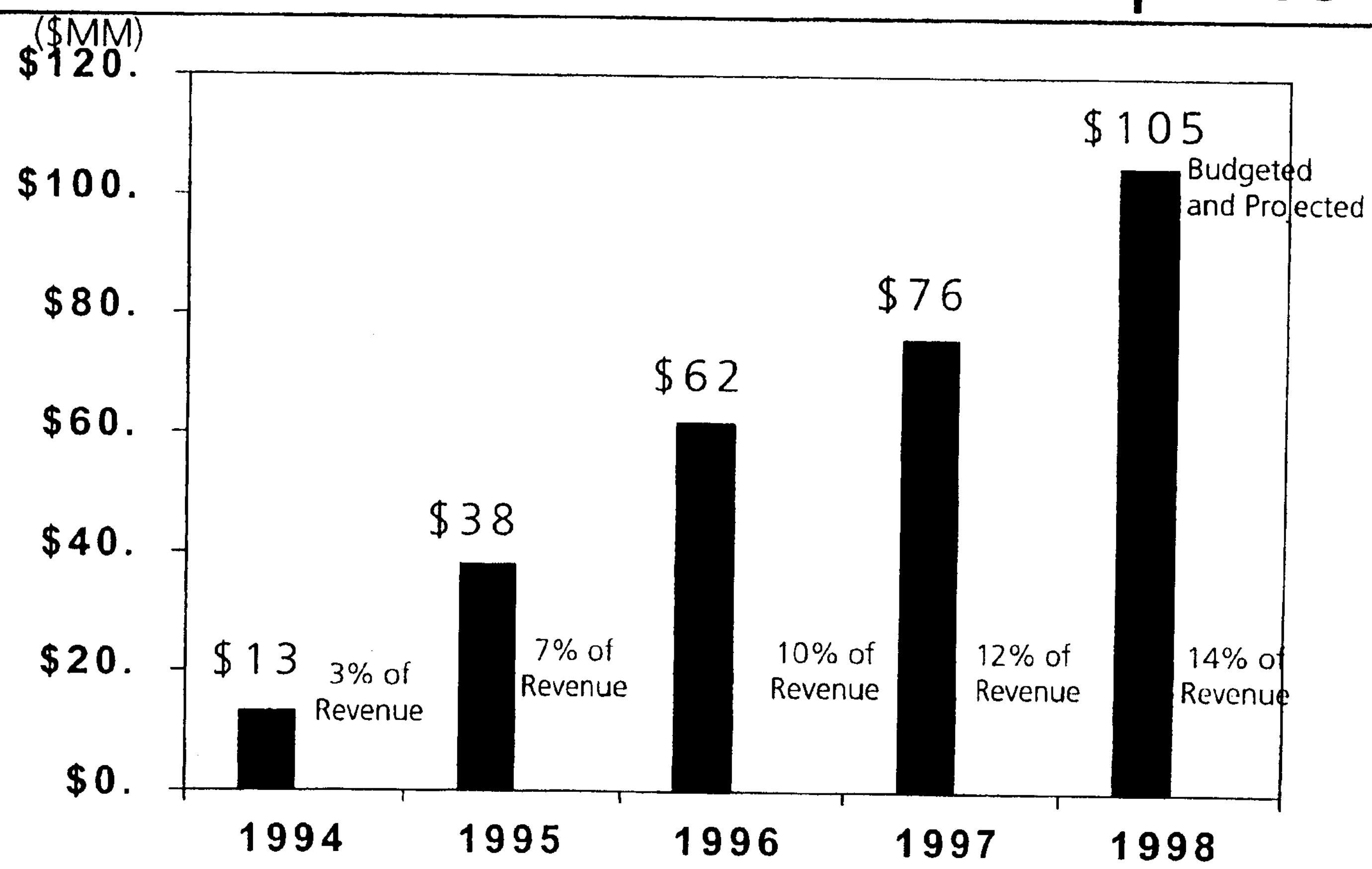
Harry DiSimone
Executive Vice President of
Chase Manhattan Bank

Duality: It Doesn't Get Any More Competitive Than This.

Member Incentives

- Since 1994 (the year the duality investigation was opened) MasterCard has paid to dual member's approximately $300 million in financial incentives. These payments were pursuant to contracts all requiring MasterCard (either exclusively or predominantly) be issued for from 3-5 year periods.
- MasterCard has paid over $41 million in financial incentives specifically for the conversion of Visa cards to MasterCard cards, including a $3 million payment to Advanta in 1997 to convert over 700,000 Visa Gold cards to MasterCard Platinum cards.

1994-1998 Member Incentive Expense



Duality: It Doesn't Get Any More Competitive Than This.

Sports Sponsorships

- At the verge of Visa and Major League Baseball finalizing a year long negotiation for sponsorship rights, MasterCard negotiated the deal away from Visa--signing a five year sponsorship deal making MasterCard the Official Card of Major League Baseball. Since then MasterCard and Visa have engaged in bidding wars for individual team sponsorship rights with Visa outbidding MasterCard at the 11th hour for rights to the New York Yankees.

- For many years MasterCard was the official card of NASCAR. Visa prevailed in a bidding battle with MasterCard and will become the official card by year-end.

Duality: It Doesn't Get Any More Competitive Than This.

ClubCorp

- MasterCard outbid Visa in entering into a five year agreement with the nation's largest operator of private country clubs to convert private club receivables (dues, charges, greens fees, etc.) to a MasterCard-exclusive program. The ClubCorp agreement provides that MasterCard shall be the exclusive means for club members to pay all club-related charges. Visa cards may not be used to pay club-related charges.

Duality: It Doesn't Get Any More Competitive Than This.

Federal Government GSA Program

- Both MasterCard and Visa are competing for selection by qualifying member institutions as the brand of choice for the U.S. government employee purchase/business/travel card program. The institutions "bid" MasterCard and/or Visa programs and were selected for qualification by the General Services Administration for each agency to choose for its personnel needs. Competition for brand selection is active at both the issuer and federal government level to obtain brand designation for agency card relationships.

Duality: It Doesn't Get Any More Competitive Than This.

Ticketmaster

- Multiyear agreement providing MasterCard preferred payment status. For all telephone calls, Ticketmaster employees encourage customers to charge tickets on MasterCard.

Sabre Leisure Travel

- MasterCard is accorded preferred placement on travel agents screen so that MasterCard usage is encouraged.

MasterCard International

MasterCard

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